



State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

Michael O. Leavitt
Governor

Stephen G. Boyden
Director

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RECEIVED

JUN 10 2003

DIV. OF OIL, GAS & MINING

June 4, 2003

Sandy Nell
13171 South 3300 West
Riverton, Utah 84065

Re: Bonding Requirement, Small Mining Operation, Unpatented Placer Mining Claims
File # ML 48705 - MC, DOGM File # S/001/063.

Dear Mr. Nell:

It has come to the attention of the School and Institutional Trust Lands Administration that the Division of Oil, Gas and Mining ("DOGM") did not require placement of a reclamation bond before granting approval to commence with the above referenced small mine operation.

The Trust Lands Administration cannot grant permission to commence with a mining operation until all the requirements of both the DOGM and the Trust Lands Administration have been satisfied.

Due to a misunderstanding the Trust Lands Administration assumed that DOGM would requested placement of a reclamation bond before approving your proposed mine plan. Under Senate Bill 65, which was recently signed by the Governor, bonding of small mine operations are now the under the jurisdiction of the DOGM. Without approved administrative rules and without finalization of a memorandum of understanding between the Trust Lands Administration and DOGM, the requirements of Bill 65 can not be implemented by DOGM at this time, therefore, the Trust Lands Administration remains the regulatory agency responsible for ensuring that adequate reclamation bonding is in place for mining operations on lands administered by the Trust Lands Administration.

The notice of intent to commence a small mining operation on file with the Trust Lands Administration indicates that no more than 5 acres will be disturbed. It is therefore assumed that the operation will include 5 acres of surface disturbance, the maximum allowed under approval for a small mine operation. If your operation is going to disturb less than 5 acres you must submit a more detailed map of the mine site. The mine site map must show access roads, the actual area to be mined, overburden/waste locations, saved top soil locations, equipment storage locations and the location of any other mine related activity that may disturb the surface. The map must be at a scale that will allow for easy interpretation and calculation of the acreage effected by the mining operation.

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By administrative rule, R850-20-2800, the trust lands administration will require a reclamation bond of \$5,000.00 per acre of disturbed land. Bonds may be accepted in any of the following forms:

- a) Surety bond with an approved corporate surety registered in the state of Utah.
- b) Cash deposit.
- c) Certificate of deposit in the name of the School and Institutional Trust Lands Administration and Lessee, with three signatures required, two signatures will be those of the Trust Lands Administration and one of the Lessee's. Two signatures will be required to collect on the certificate of deposit. The certificate of deposit must be issued by an approved state or federally insured banking institution registered in Utah. The certificate must have a maturity date no greater than 12 months, be automatically renewable and be deposited with the Trust Lands Administration

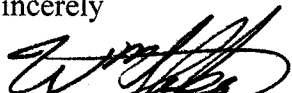
The notification requirements of DOGM does not satisfy all the notification requirements of the Trust Lands Administration. The Trust Lands notification requirements follow a different format than those of DOGM. Enclosed is a list of the information required. Please respond to each item on the list. If the requested information does not apply to you proposed operation please indicate so.

In summary the Trust Lands Administration requires the following information before final approval to commence can be granted:

- 1) A more detailed map identifying the exact location of all mine related surface disturbances and a estimate of the number of acres that will be impacted.
- 2) A reclamation bond in the amount of \$5,000 per acre.
- 3) Additional information as required on the enclosed notice of intent to commence mineral operations upon state trust lands.

If you have any questions please feel free to contact me at the address or phone listed on this letterhead.

Sincerely



William M. Stokes
Minerals Resource Specialist

Cc: Tom Munson, DOGM